

ALKERMES INC
Form SC 13G/A
January 11, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G
(Amendment No. 1)

Under the Securities Exchange Act of 1934

Alkermes, Inc.
(Name of Issuer)

Common Stock, \$0.01 par value
(Title of Class of Securities)

01642T108
(CUSIP Number)

January 1, 2008
(Date of Event Which Requires Filing of this Statement)

Check the following box to designate the rule pursuant to which the Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 01642T108

1. Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)
 D. E. Shaw Composite Portfolios, L.L.C.
 13-4152438

2. Check the Appropriate Box if a Member of a Group (See Instructions)
 (a)
 (b)

3. SEC Use Only

4. Citizenship or Place of Organization
 Delaware

**Number of
 Shares
 Beneficially
 Owned by
 Each
 Reporting
 Person With**

5. Sole Voting Power

-0-

6. Shared Voting Power

-0-

7. Sole Dispositive Power

-0-

8. Shared Dispositive Power

-0-

9. Aggregate Amount Beneficially Owned by Each Reporting Person
 -0-

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)
 0.0%

12. Type of Reporting Person (See Instructions)
 OO

CUSIP No. 01642T108

1. **Names of Reporting Persons**
I.R.S. Identification Nos. of above persons (entities only)
 D. E. Shaw Valence Portfolios, L.L.C.
 13-4046559
2. **Check the Appropriate Box if a Member of a Group (See Instructions)**
 (a)
 (b)
3. **SEC Use Only**
4. **Citizenship or Place of Organization**
 Delaware

**Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With**

5. Sole Voting Power

-0-

6. Shared Voting Power
5,246,671

7. Sole Dispositive Power
-0-

8. Shared Dispositive Power
5,246,671

9. **Aggregate Amount Beneficially Owned by Each Reporting Person**
5,246,671

10. **Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)**

11. **Percent of Class Represented by Amount in Row (9)**
5.2%

12. **Type of Reporting Person (See Instructions)**
OO

CUSIP No. 01642T108

1. **Names of Reporting Persons**
I.R.S. Identification Nos. of above persons (entities only)
 D. E. Shaw & Co., L.L.C.
 13-3799946

2. **Check the Appropriate Box if a Member of a Group (See Instructions)**
 (a)
 (b)

3. **SEC Use Only**

4. **Citizenship or Place of Organization**
 Delaware

**Number of
 Shares
 Beneficially
 Owned by
 Each
 Reporting
 Person With**

5. **Sole Voting Power**
 -0-

6. **Shared Voting Power**
 -0-

7. **Sole Dispositive Power**
 -0-

8. **Shared Dispositive Power**
 -0-

9. **Aggregate Amount Beneficially Owned by Each Reporting Person**
 -0-

10. **Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)**

11. **Percent of Class Represented by Amount in Row (9)**
 0.0%

12. **Type of Reporting Person (See Instructions)**
 OO

CUSIP No. 01642T108

1. **Names of Reporting Persons**
I.R.S. Identification Nos. of above persons (entities only)
 D. E. Shaw & Co., L.P.
 13-3695715
2. **Check the Appropriate Box if a Member of a Group (See Instructions)**
 (a)
 (b)
3. **SEC Use Only**
4. **Citizenship or Place of Organization**
 Delaware

**Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With**

5. Sole Voting Power

-0-

6. Shared Voting Power
5,248,971

7. Sole Dispositive Power
-0-

8. Shared Dispositive Power
5,248,971

9. **Aggregate Amount Beneficially Owned by Each Reporting Person**
5,248,971

10. **Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)** or our commercial solar PV system projects, we are the general contractor and construction manager, and we will typically rely on licensed subcontractors representing specialty trades such as electrical, concrete, grading, roofing, and carpentry to install the commercial systems we sell. We may be liable to customers for any damage we cause to their facility, belongings or property during the installation of our systems. In addition, any shortages that may occur of skilled subcontractor labor for our projects could significantly delay a project or otherwise increase our costs. Because our profit on a installation will be based in part on assumptions as to the cost of such project, cost overruns, delays or other execution issues may cause us to not achieve our expected margins or cover our costs for that project.

In addition, our system installations are subject to oversight and regulation in accordance with national, state and local laws and ordinances relating to building codes, safety, environmental

protection, utility interconnection and metering, and related matters. Any new government regulations or utility policies pertaining to the systems we design, and install may result in significant additional expenses to us and our future customers and, as a result, could cause a significant reduction in demand for our systems and services.

Compliance with occupational safety and health requirements and best practices can be costly, and noncompliance with such requirements may result in potentially significant monetary penalties, operational delays and adverse publicity.

The installation of solar PV and energy storage systems will require our employees, and any subcontractors that we engage, to work at heights with complicated and potentially dangerous electrical systems. The evaluation and modification of buildings that may be necessary as part of our business may require our employees to work in locations that may contain potentially dangerous levels of asbestos, lead or mold. Our operations are subject to regulation under the U.S. Occupational Safety and Health Act, or OSHA, and equivalent state laws. Changes to OSHA requirements, or stricter interpretation or enforcement of existing laws or regulations, could result in increased costs. If we fail to comply with applicable OSHA regulations, even if no work-related serious injury or death occurs, we may be subject to civil or criminal enforcement and be required to pay substantial penalties, incur significant capital expenditures, or suspend or limit operations.

As we continue to expand our business development efforts within the solar PV and energy storage system installation market future problems with product quality or performance may cause us to incur warranty expenses, and may damage our market reputation and cause our financial results to decline.

Customers in our target market of California who purchase solar energy systems are covered by a warranty of up to 10 years in duration for material defects and workmanship. In addition, we provide a pass-through warranty of the major components such as module mounting, inverter, and solar panel manufacturers to our customers, which generally range from 10 to 25 years. We may also make extended warranties available at an additional cost to customers.

As we continue to expand our business development efforts within the solar PV and energy storage system installation market we may be required to make assumptions and apply judgments regarding many factors, including our anticipated rate of warranty claims, and the durability, performance and reliability of the components employed in the assembly of energy systems. The Company has a limited history of project installations and assesses potential warranty costs, and other allowances, based on our experience in servicing warranty claims as they may arise in the future.

If products and technologies that we market, or products based on technologies we assemble, cannot be developed for manufacture and sold commercially or our products or the products we market become obsolete or noncompetitive we may be unable to recover our investments or achieve profitability which will have a materially adverse effect on our business.

There can be no assurance that any of the products we market that comprise the solar PV and energy storage systems we offer will gain or maintain market acceptance, or our limited research and development efforts will be successful. Further, the areas in which we have developed product groups are characterized by rapid and significant technological change. Rapid technological development may result in our products becoming obsolete or noncompetitive. If products based on our technologies cannot be developed for manufacture

and sold commercially or our products become obsolete or noncompetitive, we may be unable to recover our investments or achieve profitability. In addition, any commercialization schedule may be delayed if we experience delays in meeting development goals, if products based on our technologies exhibit technical defects, or if we are unable to meet cost or performance goals. In this event, potential purchasers of products based on our technologies may choose alternative technologies and any delays could allow potential competitors to gain market advantages.

9

Table of Contents

There is no assurance that the market will accept the products that we offer which could have an adverse effect on our business.

There can be no assurance that products we market, or products based on technologies that we may develop, will be perceived as being superior to existing products or new products offered or being developed by competing companies or that such products will otherwise be accepted by consumers. The market prices for our products and services may exceed the prices of competitive products based on existing technologies or new products based on technologies currently under development by competitors. There can be no assurance that the prices of products we offer, or the technologies of others that we market will be perceived by consumers as cost-effective or that the prices of such products will be competitive with existing products or with other new products or technologies. If consumers do not accept products based on our technologies, we may be unable to recover our investments or achieve profitability.

There is no assurance that the market will accept our continued efforts to offer design, engineering, and installation services for solar electric PV and energy storage systems which could have an adverse effect on our business.

The market for sales and installation of solar electric PV and energy storage systems is highly competitive with limited barriers to entry by potential competitors. There can be no assurance that the products and services we will offer will be perceived as being superior or a better value to other comparable products and services offered by competing companies or that such products will otherwise be accepted by consumers. If consumers do not accept our design, engineering, and installations services at the pricing we offer we may be unable to recover our investments, make sales of any significance, or achieve profitability.

Other companies, many of which have greater resources than we have, may develop or offer competing products or technologies which cause products and services we market to become noncompetitive which could have an adverse effect on our business.

We have and will continue to compete with firms, both domestic and foreign, that perform research and development, as well as firms that sell or install solar products. In addition, we expect additional potential competitors to enter the markets for solar and energy storage products and installation services in the future. Some of these competitors are large companies with longer operating histories, greater name recognition, access to larger customer bases, well-established business organizations and product lines and significantly greater resources and research and development staff and facilities. There can be no assurance that one or more such companies will not succeed in developing technologies or products that will become available for commercial sale prior to our products, that will have performance superior to products based on our technologies or that would otherwise render our products noncompetitive. If we fail to compete successfully our business would suffer and we may lose or be unable to gain market share.

The loss of strategic relationships used in provisioning the products that comprise the solar PV and energy storage systems that we offer could impede our ability to offer competitive solar PV and energy storage system products or further the development of our products and have a material adverse effect on our business.

We have established a plan of operations under which a significant portion of our operations will rely on strategic relationships with third parties to provide materials and components necessary for the assembly of solar PV and energy storage systems. A loss of any of our third-party relationships for any reason could cause us to experience difficulties in implementing our business strategy. There can be no assurance that we could establish other relationships of adequate expertise in a timely manner or at all.

We may suffer the loss of key personnel or may be unable to attract and retain qualified personnel to maintain and expand our business which could have a material adverse effect on our business.

Our success is highly dependent on the continued services of a limited number of skilled managers, technicians, and access to qualified consultants and licensed subcontractors. The loss of any of these individuals or resources will have a material adverse effect on us. In addition, our success will depend upon, among other factors, the recruitment and retention of additional highly skilled and experienced management and technical personnel. There can be no assurance that we will be able to retain existing employees or to attract and retain additional personnel on acceptable terms given the competition for such personnel in the market.

We may not be successful in protecting our intellectual property and proprietary rights and may be required to expend significant amounts of money and time in attempting to protect these rights. If we are unable to protect our intellectual property and proprietary rights, our competitive position in the market could suffer.

Our current intellectual property consists of trade secrets, and trade dress. To protect our proprietary business methods, technologies and processes, we rely on trade secret protection and we have also sought formal legal devices such as patents. Our success depends in part on our ability to create and maintain intellectual property to differentiate our services. There can be no assurance that we will be able to seek or obtain patents for our products or services in the U.S.

Our future commercial success may require us not to infringe on patents and proprietary rights of third parties, or breach any licenses or other agreements that we have entered into with respect to the products that we market, our technologies, products and businesses. The enforceability of patent positions cannot be predicted with certainty. We have in the past applied for patents covering certain aspects of technologies we have worked to developed and we may elect to file additional patents, if any, as we deem appropriate. Patents, if issued, may be challenged, invalidated or circumvented. There can be no assurance that no other relevant patents have been issued that could block our ability to obtain patents or to operate as we would like. Others may develop similar technologies or may duplicate technologies developed by us.

10

Table of Contents

We are not currently a party to any litigation with respect to any of our patent positions or trade secrets. However, if we become involved in litigation or interference proceedings declared by the United States Patent and Trademark Office, or other intellectual property proceedings outside of the U.S., we might have to spend significant amounts of money to defend our intellectual property rights. If any of our competitors file patent applications or obtain patents that claim inventions or other rights also claimed by us, we may have to participate in interference proceedings declared by the relevant patent regulatory agency to determine priority of invention and our right to a patent of these inventions in the U.S. Even if the outcome is favorable, such proceedings might result in substantial costs to us, including, significant legal fees and other expenses, diversion of management time and disruption of our business. Even if successful on priority grounds, an interference proceeding may result in loss of claims based on patentability grounds raised in the interference proceeding. Uncertainties resulting from initiation and continuation of any patent or related litigation also might harm our ability to continue our research or to bring products to market.

An adverse ruling arising out of any intellectual property dispute, including an adverse decision as to the priority of our inventions would undercut or invalidate our intellectual property position. An adverse ruling also could subject us to significant liability for damages, prevent us from using certain processes or products, or require us to enter into royalty or licensing agreements with third parties. Furthermore, necessary licenses may not be available to us on satisfactory terms, or at all.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

To protect our proprietary business methods, technologies and processes, we rely on trade secret protection and we have also sought formal legal devices such as patents. Although we have taken security measures to protect our trade secrets and other proprietary information, these measures may not provide adequate protection for such information. Our policy is to execute confidentiality and proprietary information agreements with each of our employees and consultants upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not be disclosed to third parties. These agreements also generally provide that technology conceived by the individual in the course of rendering services to us shall be our exclusive property. Even though these agreements are in place there can be no assurances that that trade secrets and proprietary information will not be disclosed, that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets, or that we can fully protect our trade secrets and proprietary information. Violations by others of our confidentiality agreements and the loss of employees who have specialized knowledge and expertise could harm our competitive position and cause our sales and operating results to decline as a result of increased competition. Costly and time-consuming litigation might be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection might adversely affect our ability to continue our research or bring products to market.

Downturns in general economic conditions could adversely affect our ability to attract customers and our potential for future profitability.

Downturns in general economic conditions can cause fluctuations in demand for any products we may offer, product prices, volumes and margins. Economic conditions may at any time not be favorable to our industry. A decline in the demand for our products and services or a shift to lower-margin products due to deteriorating economic conditions could adversely affect sales of our intended products and our profitability and could also result in impairments of certain of our assets.

Standards for compliance with section 404 of The Sarbanes-Oxley Act Of 2002 are subject to change, and if we fail to comply in a timely manner, our business could be harmed, and our stock price could decline.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report. The standards that must be met for management to assess the internal control over financial reporting as effective are new and complex, and require significant documentation, testing and possible remediation to meet the detailed standards and will impose significant additional expenses on us. We may encounter problems or delays in completing activities necessary to assess our internal control over financial reporting. If we cannot assess our internal control over financial reporting as effective, investor confidence and share value may be negatively impacted.

Our common stock is considered a "Penny Stock" and as a result, related broker-dealer requirements affect its trading and liquidity.

Our common stock is considered to be a "penny stock" since it meets one or more of the definitions in Rules 15g-2 through 15g-6 promulgated under Section 15(g) of the Exchange Act. These include but are not limited to the following: (i) the common stock trades at a price less than \$5.00 per share; (ii) the common stock is not traded on a "recognized" national exchange; (iii) the common stock is not quoted on the NASDAQ Stock Market, or (iv) the common stock is issued by a company with average revenues of less than \$6.0 million for the past three (3) years. The principal result or effect of being designated a "penny stock" is that securities broker-dealers cannot recommend our Common Stock to investors, thus hampering its liquidity.

Table of Contents

Section 15(g) and Rule 15g-2 require broker-dealers dealing in penny stocks to provide potential investors with documentation disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the documents before effecting any transaction in a penny stock for the investor's account. Potential investors in our Common Stock are urged to obtain and read such disclosure carefully before purchasing any of our shares.

Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives.

The trading market in our common stock is limited and may cause volatility in the market price.

Our common stock is currently traded on a limited basis on the OTC. The OTC is an inter-dealer, over-the-counter market that provides significantly less liquidity than the NASDAQ Stock Market and the other national markets. Quotes for stocks included on the OTC are not listed in the financial sections of newspapers as are those for the NASDAQ Stock Market. Therefore, prices for securities traded solely on the OTC may be difficult to obtain.

The quotation of our common stock on the OTC does not assure that a meaningful, consistent and liquid trading market currently exists, and in recent years such market has experienced extreme price and volume fluctuations that have particularly affected the market prices of many smaller companies like us. Thus, the market price for our common stock is subject to volatility and holders of common stock may be unable to resell their shares at or near their original purchase price or at any price. In the absence of an active trading market:

- investors may have difficulty buying and selling or obtaining market quotations;

- market visibility for our common stock may be limited; and

- a lack of visibility for our common stock may have a depressive effect on the market for our common stock.

Due to the low price of the securities, many brokerage firms may not be willing to effect transactions in the securities. Even if a purchaser finds a broker willing to affect a transaction in these securities, the combination of brokerage commissions, state transfer taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of such securities as collateral for any loans. Such restrictions could have a materially adverse effect on our business.

We may have difficulty raising necessary capital to fund operations as a result of market price volatility for our shares of common stock.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

• technological innovations or new products and services by us or our competitors;

• additions or departures of key personnel;

• sales of our common stock;

• our ability to integrate operations, technology, products and services;

• our ability to execute our business plan;

• operating results below expectations;

• loss of any strategic relationship;

• industry developments;

• economic and other external factors; and

• period-to-period fluctuations in our financial results.

12

Table of Contents

Because we have a limited operating history with limited revenues to date, you may consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above listed factors. In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values or prospects of such companies. For these reasons, our shares of common stock can also be expected to be subject to volatility resulting from purely market forces over which we will have no control. If our business development plans are successful, we will require additional financing to continue to develop and exploit existing and new technologies and to expand into new markets. The exploitation of our technologies may, therefore, be dependent upon our ability to obtain financing through debt, equity or other means.

Item 1B. Unresolved Staff Comments

As of the date of this Annual Report on Form 10-K, there are no unresolved staff comments regarding our previously filed periodic or current reports under the Securities Exchange Act of 1934, as amended.

Item 2. Properties

California Corporate Office Lease

As of September 30, 2017 the Company leases corporate facilities located in Aliso Viejo, CA. The lease for the Aliso Viejo location is month to month at a rate of \$200 per month. The Company may expand into larger facilities to support expanding operations in the 2018 fiscal period.

The Company owns no real property.

Item 3. Legal Proceedings

In the conduct of our business, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business.

Item 4. Mining and Safety Disclosures

Not applicable

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

The Company's common stock trades on the OTC Market under the symbol "XSNX". The range of high, low and close quotations for the Company's common stock by fiscal quarter within the last two fiscal years, as reported by the OTC Markets, was as follows:

Year Ended September 30, 2017	High	Low
First Quarter ended December 31, 2016	0.0014	0.0008
Second Quarter ended March 31, 2017	0.0090	0.0010
Third Quarter ended June 30, 2017	0.0019	0.0008
Fourth Quarter ended September 30, 2017	0.0013	0.0006
Year Ended September 30, 2016		
First Quarter ended December 31, 2015	0.0085	0.0048
Second Quarter ended March 31, 2016	0.0075	0.0035
Third Quarter ended June 30, 2016	0.0050	0.0021
Fourth Quarter ended September 30, 2016	0.0030	0.0002

The market price for our common stock, like that of other service companies, is highly volatile and is subject to fluctuations in response to variations in our operating results, announcements related to technological innovation or business development, or other events and factors. Our stock price may also be affected by broader market trends unrelated to our performance.

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

Number of Holders

As of September 30, 2017, there were approximately 302 record holders of the Company's common stock, not counting shares held in "street name" brokerage accounts, which account for an approximate 16,000 additional stock holders. As of September 30, 2017, there were 1,040,146,548 shares of common stock outstanding on record with the Company's stock transfer agent, Island Stock Transfer. On September 30, 2017 the last reported sales price of our common stock on the OTC Market was approximately \$0.001 per share.

Transfer Agent

Our transfer agent is Island Stock Transfer located at 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760, Office phone: 727-289-0010| Fax: 727-289-0069

Dividends

The Company has not declared or paid any cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future.

Stock Option Plan

On May 20, 2014, the Company adopted the 2014 XSUNX, Inc. Stock Option and Award Plan (the "Plan") to enable the Company to obtain and retain the services of the types of Employees, Consultants and Directors who will contribute to the Company's long range success and to provide incentives which are linked directly to increases in share value which will inure to the benefit of all stockholders of the Company. Options granted under the Plan may be either Incentive Options or Nonqualified Options and shall be administered by the Company's Board of Directors ("Board"). Each Option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective Option agreements may provide. Notwithstanding any other provision of the Plan or of any Option agreement, each Option shall expire on the date specified in the Option agreement. A total of 50,000,000 shares of common stock are authorized under the Plan, of which no options were issued and outstanding under the Plan at September 30, 2017.

Stock Compensation, Issuance of Stock Purchase Options

During the year ended September 30, 2017 the Company did not grant or issue any stock purchase options.

14

Table of Contents

Recent Sales of Securities (Registered and Unregistered)

During the year ended September 30, 2017, the Company made the following unregistered issuances at fair value in the aggregate amount of 257,066,069 shares of common stock upon the conversion by the holder of a convertible note as follows:

The Company issued 257,066,069 shares of common stock at prices ranging from \$0.00055 to \$0.0001 upon conversion of the aggregate amount of \$100,234 dollars of principal and accrued interest to the holder of a 10% convertible note.

Unless noted otherwise, all of the above issuances by the Company of its unregistered securities were made by the Company in reliance upon Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act").

Use of Proceeds from the Sale of Securities

The proceeds from the above sales of securities were used primarily to fund efforts by the Company to develop business operations for the sale of commercial solar power and energy storage systems, and in the day-to-day operations of the Company and to pay the accrued liabilities associated with these operations.

Item 6. Selected Financial Data

N/A

Item 7. Management's Discussion and Analysis or Plan of Operations

Cautionary and Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions as described under the "Cautionary Note Regarding Forward-Looking Statements" that appears earlier in this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Item 1A: Risk Factors" and elsewhere in this Annual Report on Form 10-K.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q and Annual Report on Form 10-K filed and any Current Reports on Form 8-K filed by the Company.

Business Overview

XsunX specializes in the sale, design, and installation of solar photovoltaic power generation (PV), energy storage in the form of managed battery systems, and energy use management technologies to provide our clients long term savings, predictability, and control of their energy costs. Making solar and managed energy solutions a sound investment for our clients is our mission.

We service the commercial self-generation energy market in California, and to a lesser extent the residential solar PV market where we see fewer barriers to entry and an overly competitive marketplace. We provide project assessment and installation services to our customers including technology selection, system engineering, procurement, permitting, construction, grid connection, warranty service, system monitoring and maintenance. We offer a wide variety of energy production and management technologies, design our systems in-house to ensure that the performance of the systems we deliver match the financial projections, and our full-time project management and licensed assembly crews ensure a seamless process, from start to finish.

The Company operates as licensed contractor in California, and our executive management provides over 30 years of extensive experience in all aspects of construction and project assembly to ensure the accuracy and quality of systems, the continued integrity of the improved building or site, and compliance with all construction codes.

15

Table of Contents

We guide our performance by striving to deliver consistently on the following core objectives:

Commitment – to keeping the customer’s best interests at the forefront at all times; and,

Value – through a focus on performance and follow through that meets or exceeds customer expectations.

Plan of Operations

For the fiscal year ending September 30, 2017, the Company has developed a plan of operations focused on the sale, design, and installation of solar power and energy storage systems as a licensed contractor in California.

Our Plan of Operations requires approximately \$97,000 to support sales and marketing efforts, \$733,000 for general and administrative activities to support operations, and \$169,000 to support project bid and field management costs. These costs are attributable to the marketing, sales, planning, and supervision costs associated with solar power system installations. However, the cash flow requirements associated with these efforts may continue to exceed cash generated from operations in the current and future periods. If we are unable to develop sufficient solar power system installation sales or profitability through solar power system sales prior to completion of this plan we will need to obtain additional financing from other sources or adjust the timing of our plans. However, we have been able to raise capital in a series of equity and debt offerings in the past. While there can be no assurances that we will be able to obtain additional financing, on terms acceptable to us and at the times required, or at all, we believe that sufficient capital can be raised in the foreseeable future as necessary.

The Company may change any or all of the budget categories in the execution of its business attempts. None of the items is to be considered fixed or unchangeable.

Management believes the summary data and audit presented herein is a fair presentation of the Company’s results of operations for the periods presented. Due to the Company’s limited historical data with the sale of solar PV and energy storage systems these historical results may not necessarily be indicative of results to be expected for any future period. As such, future results of the Company may differ significantly from previous periods.

Results of Operations for the Fiscal Year Ended September 30, 2017 Compared to Fiscal Year Ended September 30, 2016.

Revenue and Cost of Sales:

The Company generated revenues of \$1,172,972 and \$750,556 in the fiscal years ended September 30, 2017, and 2016. The \$1,172,972 in revenue, representing an increase of \$422,416, during the fiscal period ended September 30, 2017 was primarily due to the use of sales resources to further develop our capabilities for the sale of our solar carport and energy storage offerings, and late year projects that, due to prolonged permitting processes for solar canopies, could not be started in the 2016 fiscal period. The costs of goods sold in the fiscal years ended September 30, 2017 and 2016 were \$791,413 and \$474,030, respectively. The Company to date has had minimal revenue and cost of sales. Management expects to continue

to generate revenues, and is working to increase sales as it matures the scope of the Company's capabilities and brand awareness.

We believe that the development of our solar canopy PV systems in prior periods continues to provide us with the greatest opportunity for sales growth, and revenue generation in future periods. However, the sale and delivery of our canopy systems can experience extended sales cycles attributable to delays in customer project financing that can delay our ability to close sales timely, or to recognize revenues through extended planning or permitting processes for the canopy structures that may span reporting periods. We anticipate that through our marketing efforts purchase interest, and sales, in this product group will continue to improve and provide us with increased project flow that may result in more consistent period to period revenue growth results.

Selling, General and Administrative Expenses:

Selling, General and Administrative (SG&A) expenses decreased by \$29,544 during the fiscal year ended September 30, 2017 to \$453,235 as compared to \$482,779 for the prior fiscal year ended September 30, 2016. The decrease in SG&A expenses was related primarily due to the Company experiencing a reduction to the administrative costs associated with the delivery of sold projects as the Company improved its project delivery capabilities. Management expects SG&A expenses to increase in future periods as the Company continues to expand its marketing, sales, and service efforts.

Other Income/(Expenses)

Other income/(expenses) increased by \$391,814 to \$(426,823) for the fiscal year ended September 30, 2017, compared to \$(35,009) for the prior fiscal year ended September 30, 2016. The increase was the result of an increase in net increase in loss on conversion and change of fair market value of the derivative instruments of \$429,042, with a decrease in gain on sale of assets in the amount of \$12,249, a decrease in penalties in the amount of \$22, a decrease in gain on forgiveness of debt in the amount of \$16,604, and a decrease in interest expense in the amount of \$66,059, which includes amortization of debt discount of \$57,569. The decrease in other income/(expenses) was due to the Company using less financing through the issuance of convertible promissory notes.

Table of Contents

Net Loss:

For the fiscal year ended September 30, 2017, our net loss was \$(498,663) as compared to a net loss of \$(242,866) for the fiscal year ended September 30, 2016. The increase in net loss of \$(255,797) primarily stems from the decrease in other income (expenses) associated with the derivative instruments, and an overall decrease in operating expenses, with an increase in gross profit due to an increase in revenue. The Company anticipates the trend of losses to continue in future periods until the Company can recognize sales of significance of which there is no assurance.

Liquidity and Capital Resources

We had a working capital deficit at September 30, 2017 of \$(919,717), as compared to a working capital deficit of \$(725,986) as of September 30, 2016. The increase of \$193,731 in working capital deficit was the result of an increase in cash, prepaid expenses, accounts payable, accrued expenses, related party promissory note, and derivative liability, with a decrease in contract receivables, billing in excess of cost, and convertible notes. The Company had revenue during the current period, and a reduction in debt financing.

For the fiscal year ended September 30, 2017, our cash flow used by operating activities was \$44,844, as compared to cash flow used by operating activities of \$171,972 for the prior fiscal year ended September 30, 2016. The decrease in cash flow used of \$127,128 by operating activities was primarily due to a net change in net loss associated with the overall decrease in selling, general and administrative expenses resulting from a change in selling efforts to more efficient web based programs and improving project delivery capabilities.

Cash flow used in investing activities was \$(772), compared to cash flow provided by investing activities of \$15,374 for the fiscal year ended September 30, 2017 and 2016. The increase of \$16,146 in investing activities was primarily due to proceeds received from the sale of certain assets, with an offset of fixed assets purchased in the prior fiscal year.

Cash flow provided by financing activities was \$46,500 for the fiscal year ended September 30, 2017, as compared to cash provided by financing activities of \$100,000 during the fiscal year ended September 30, 2016. The decrease in cash flow provided by financing activities was the result of a decrease in the Company's reliance on cash provided through equity financing. Our capital needs have primarily been met from the revenue and proceeds of private placements, and the sale of convertible notes. There is no assurance that our revenue will exceed our operating cost.

For the fiscal year ending September 30, 2017, the Company has developed a plan of operations focused on the sale, design, and installation of solar power, energy storage, and solar canopy systems as a licensed contractor in California.

PLAN OF OPERATION AND FINANCING NEEDS

Our Plan of Operations, based upon the aforementioned activities, requires approximately \$97,000 to support sales and marketing efforts, \$733,000 for general and administrative activities to support operations, and \$169,000 to support project bid and field management costs. These costs are attributable to the marketing, sales, planning, and supervision with costs

associated with solar power system installations. However, the cash flow requirements associated with these efforts may continue to exceed cash generated from operations in the current and future periods. If we are unable to develop sufficient solar power system installation sales or profitability through solar power system sales prior to completion of this plan we will need to obtain additional financing from other sources or adjust the timing of our plans. However, we have been able to raise capital in a series of equity and debt offerings in the past. While there can be no assurances that we will be able to obtain additional financing, on terms acceptable to us and at the times required, or at all, we believe that sufficient capital can be raised in the foreseeable future as necessary.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships such as entities often referred to as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance-sheet arrangements or for other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Significant Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of property, equipment, intangible assets, deferred tax assets and fair value computation using the Black Scholes option pricing model. We base our estimates on historical experience and on various other assumptions, such as the trading value of our common stock and estimated future undiscounted cash flows, that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the items-described herein, are reasonable.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our products will be quoted for sale in United States dollars. To the extent that we may be exposed to foreign currency risks related to the rise and/or fall of foreign currencies against the U.S. dollar we will report in United States dollars.

Item 8. Financial Statements and Supplementary Data

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

Item 9. Changes in and Disagreements on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of September 30, 2017, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our periodic reports is recorded, processed, summarized and reported, within the time periods specified for each report and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required

disclosure.

Managements Report of Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a - 15(f). Our internal control system was designed to provide reasonable assurance to our management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control - Integrated Framework - Guidance for Smaller Public Companies (the COSO criteria). Based on our assessment we believe that, as of September 30, 2017, our internal control over financial reporting is effective based on those criteria.

Changes in Internal Control Over Financial Reporting

There was no change to our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

18

Table of Contents

Auditors Report on Internal Control over Financial Reporting

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Item 9B. Other Information

On August 16, 2017 the Company issued 44,598,478 shares of common upon conversion of \$17,000 of principal and \$3,069 in accrued interest by the holder of a 10% convertible Note. The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act since, among other things, the transactions did not involve a public offering.

Table of Contents

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The following table lists the executive offices and directors of the Company during the fiscal year ended September 30, 2017:

Name	Age	Position Held	Tenure
Tom Djokovich	60	CEO, President, Director, Secretary, and acting Principal Accounting Officer	CEO and Director since October 2003, Secretary & PAO since September 2009, President since January 2013
Thomas Anderson	52	Director	Since August 2001
Oz Fundingsland	74	Director	Since November 2007
Michael Russak	70	Director	Since November 2007

The above listed directors will serve until the next annual meeting of the stockholders or until their death, resignation, retirement, removal, or disqualification, and until their successors have been duly elected and qualified. Vacancies in the existing Board of Directors are filled by majority vote of the remaining Directors. There are no agreements or understandings for any officer or director to resign at the request of another person and no officer or director is acting on behalf of or will act at the direction of any other person. There is no family relationship between any of our directors.

The directors of the Company will devote such time to the Company's affairs on an "as needed" basis, but typically less than 10 hours per month. As a result, the actual amount of time which they will devote to the Company's affairs is unknown and is likely to vary substantially from month to month.

Biographical Information

Mr. Tom Djokovich, age 60, Chief Executive Officer and a Director as of October 2003, acting Principal Accounting Officer as of September 2009, and President as of January 9, 2013;

Mr. Djokovich was the founder and served from 1995 to 2002 as the Chief Executive Officer of Accesspoint Corporation, a vertically integrated provider of electronic transaction processing and e-business solutions for merchants. Under Mr. Djokovich's guidance, Accesspoint became a member of the Visa/MasterCard association, the national check processing association NACHA, and developed one of the payment industry's most diverse set of network based transaction processing, business management and CRM systems for both Internet and conventional points of sale. Prior to Accesspoint, Mr. Djokovich founded TMD Construction and Development in 1979. TMD provided management for multimillion-dollar projects incorporating at times hundreds of employees, subcontractors and international material acquisitions for commercial, industrial and custom residential construction services as a licensed building and development firm in California. In 1995 Mr. Djokovich developed an Internet based business-to-business ordering system for the construction industry.

Independent Directors

Mr. Thomas Anderson, age 52, became a director of the Company in August 2001;

Prior to co-founding PE/Q Energy, Tom served through October 2012 as Chief Operating and Development Officer for American Capital Energy, a large-scale commercial and small-scale utility solar PV developer and installer. While at ACE, he guided the development, installation, operation and maintenance of large-scale commercial and small utility rooftop and ground mount projects ranging in size from 200 kW to 6.16 MW; negotiated and secured dozens of MW of Power Purchase Agreements with both commercial and utility clients; and served as project development lead for a fully developed 20 MW utility-PPA project to be constructed in 2014. He has served as Managing Director of the Environmental Science and Engineering Directorate of Qinetiq North America in Los Alamos, New Mexico. He was with Qinetiq North America, formerly Apogen Technologies, from January, 2005, through September, 2008. Mr. Anderson worked for 19 years in the environmental consulting field, providing consulting services in the areas of environmental compliance, characterization and remediation services to Department of Energy, Department of Defense, and industrial clients. He formerly worked as a Senior Environmental Scientist at Concurrent Technologies Corp. from November 2000 to December 2004. He earned his B.S. in Geology from Denison University and his M.S. in Environmental Science and Engineering from Colorado School of Mines.

Table of Contents

Mr. Oz Fundingsland as Director, age 74, became a director of the Company in November 2007;

The Company announced the appointment of Mr. Oz Fundingsland as Director, effective November 12, 2007. Mr. Fundingsland brings over forty years of sales, marketing, executive business management, finance, and corporate governance experience to XsunX. His professional and business experience principally originated with his tenure, commencing in 1964, at Applied Magnetics Corp., a disk drive and data storage company. Prior to his retirement from Applied Magnetics in 1994, Mr. Fundingsland served as an Executive Officer and Vice President of Sales and Marketing for 11 years directing sales growth from \$50 million to over \$550 million. Commencing in 1993 through 2003 Mr. Fundingsland served as a member of the board of directors for the International Disk Drive Equipment Manufacturers Association "IDEMA" where he retired emeritus. Mr. Fundingsland has provided consulting services assisting with sales, marketing, and management to a host of companies within the disk drive, optical, software, and LED industries.

Dr. Michael A. Russak as Director, age 70, became a director of the Company in November 2007;

On November 28, 2007, the Company announced the appointment of Dr. Michael A. Russak as a Director. Dr. Michael A. Russak brings decades of business management, finance, and corporate governance experience to XsunX. His professional and business experience includes his tenure as Executive Vice President of Business Development with Intevac, Inc. in Santa Clara, CA. From 2001 to 2006 he was President and Chief Technical Officer of Komag, Inc., a manufacturer of hard magnetic recording disks for hard disk drive applications. From 1993 to 2001 he was Chief Technical Officer of HMT Technology, Inc. also a manufacturer of magnetic recording disks. From 1985 to 1993 he was a research staff member and program manager in the Research Division of the IBM Corporation. Dr. Russak has over thirty five years of industrial experience progressing from a research scientist to senior executive officer of two public companies. He has expertise in thin film materials and devices for magnetic recording, photovoltaic, solar thermal applications, semiconductor devices as well as glass, glass-ceramic and ceramic materials. He also has over twelve years' experience at the executive management level of public companies with significant off shore development and manufacturing functions. He received his B.S. in Ceramic Engineering in 1968 and Ph.D. in Materials Science in 1971, both from Rutgers University in New Brunswick, NJ. During his career, he has been a contributing scientist and program manager at the Grumman Aerospace Corporation, a Research Staff Member and technical manager in the areas of thin film materials and processes at the Research Division of the IBM Corporation at the T.J. Watson Research Laboratories. In 1993, he joined HMT Technology, a manufacturer of thin film disks for magnetic storage, as Vice President of Research and Development. His responsibilities included new product design and introduction. Dr. Russak became Chief Technical Officer of HMT and held that position until 2000 when HMT merged with Komag Inc. Dr. Russak was appointed President and Chief Technical Officer of the combined company. He continued to set technical, operational and business direction for Komag until his retirement at the end of 2006. He has published over 90 technical papers, and holds 23 U.S. patents.

Involvement in Certain Legal Proceedings

None of the members of the Board of Directors or other executives has been involved in any bankruptcy proceedings, criminal proceedings, any proceeding involving any possibility of enjoining or suspending members of our Board of Directors or other executives from engaging in any business, securities or banking activities, and have not been found to have violated, nor been accused of having violated, any federal or state securities or commodities laws.

Board Committees; Audit Committee

As of September 30, 2017, the Company's board was comprised of four directors, three of which are considered independent directors and the Company did not have an audit committee. Further, none of the members of the board of directors is qualified as a financial expert. We are a development stage company with limited resources and we are seeking a qualified financial expert for addition to the board. The board of directors will appoint committees as necessary, including an audit committee as resources permit. In the meantime, the Board serves as the Company's audit committee utilizing business judgment rules and good faith efforts.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and certain persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership ("Section 16 Reports") with the SEC. Reporting Persons are required by the SEC to furnish the Company with copies of all Section 16 Reports they file. Based on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that, during the fiscal year ended September 30, 2017, all filing requirements applicable to its officers, directors, and greater than ten-percent beneficial owners were complied with.

Code of Ethics

The Company's board of directors adopted a Code of Ethics policy on January 7, 2008.

21

Table of Contents

Item 11. Executive Compensation

Overview

We are in the developing stages of executing a business plan focused on the sale, design, installation, and servicing of commercial solar power, energy storage, and solar canopy systems and we rely on our board of directors to evaluate compensation and incentive offerings made by the Company as it applies to our executive officers. To date, our compensation policy has been conducted on a case by case basis with input from our chief executive officer, and focused on the following four primary areas; (a) first the Company's commitment capabilities within the scope of objectives and capital capabilities, (b) salary compensatory with peer group companies and peer position, (c) cash bonuses tied to sales and revenue attainment, and (d) long term equity compensation tied to strategic objectives of establishing marketable solar technologies.

In this Compensation Discussion and Analysis, the individuals in the Summary Compensation Table set forth below are referred to as the "named executive officers". Generally, the types of compensation and benefits provided to the named executive officers may be similar to what we intend to provide to future executive officers.

Executive Compensation

The following table sets forth information with respect to compensation earned by our chief executive officer and our president (collectively, our "named executive officers") for the fiscal years ended September 30, 2017, and 2016 respectively.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Contributed Services (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total
Tom Djokovich, CEO(1)	2017	169,000	0	0	0	0	14,747	183,747
	2016	169,000	0	0	0	0	17,644	186,644

(1) In addition to Mr. Djokovich's salary compensation the Company provided Mr. Djokovich with co-payments totaling \$14,747 and \$17,644 for health insurance premiums as part of the Company's health insurance program in the fiscal periods ended 2017, and 2016 respectively.

No other compensation not described above was paid or distributed during the listed fiscal years to the executive officers of the Company.

Grants of Plan-Based Awards Table

The following table sets forth summary information regarding all grants of plan-based awards made to our named executive officers during the two years ended September 30, 2017, and 2016 respectively.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Fair Value of Stock and Option Awards (\$)
Tom Djokovich, CEO	2017	0	0	0
	2016	0	0	0

22

Table of Contents

Outstanding Equity Awards at Fiscal Year End Table

The following table sets forth the outstanding equity awards with respect our named executive officers for the fiscal year ended September 30, 2017

Name	OPTION AWARDS					STOCK AWARDS		
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$)	Option Expiration Date	Market Value of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Tom Djokovich, CEO	-	-	-	-	-	-	-	-

Option Exercises

None

Pension Benefits

None

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

None

Employment Agreements and Arrangements

Tom M. Djokovich

Mr. Djokovich serves as our Chief Executive Officer, acting Principal Accounting Officer, President effective January 9, 2013, a Director, and the qualifying person for the Company's California State contractor's license. We do not have an employment agreement with Mr. Djokovich. He currently works at the discretion of the board of directors as he has since October 2003. His annual base compensation for the 2017 fiscal period was \$169,000 in

collected wages. Mr. Djokovich was also provided with approximately \$14,747 for use in the payment of medical benefits. His total compensation is based solely on the annual base cash salary and we do not have any equity based, cash bonus, or special compensation agreements or understanding in place with Mr. Djokovich. Mr. Djokovich is also subject to confidentiality and non-solicitation provisions which provide that Mr. Djokovich will not divulge information or solicit employees for 24 months after termination of his employment.

Potential Payments Upon Termination or Change-In-Control

None

Long Term Incentive Plans — Awards in Last Fiscal Year

None

23

Table of Contents

Director Compensation

In the fiscal year ended September 30, 2017, Directors did not receive compensation for their services as Directors. All Directors were reimbursed for any expenses actually incurred in connection with attending meetings of the Board of Directors.

SUMMARY COMPENSATION TABLE OF DIRECTORS

Name	Fees Earned or Paid in Stock		Option Awards	All Other Compensation	Total
	Cash (\$)	Awards (\$)			
Tom Djokovich	\$ 0	0	0	0	\$ 0
Thomas Anderson	\$ 0	0	0	0	\$ 0
Oz Fundingsland	\$ 0	0	0	0	\$ 0
Dr. Michael Russak	\$ 0	0	0	0	\$ 0

Compensation Committee Interlocks and Insider Participation

For the fiscal year ended September 30, 2017, as applicable, new or existing employment agreements were reviewed and deliberated by the four members of the Company's Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of December 20, 2017, the number of shares of common stock owned of record and beneficially by executive officers, directors and persons who hold 5.0% or more of the outstanding common stock of the Company. Also included are the shares held by all executive officers and directors as a group. Unless otherwise indicated, the address of each beneficial owner listed below is c/o XsunX, Inc., 65 Enterprise, Aliso Viejo, California 92656.

Shareholders/Beneficial Owners	Number of Common Shares	Number of Series A Preferred Shares	Ownership Percentage(1)	
Tom Djokovich (1) (2) (3) President & Director	14,068,000	5,000	61.11	%
Thomas Anderson Director	4,433,333	0	< 1	%
Oz Fundingsland Director	4,166,667	0	< 1	%
Mike Russak Director	4,433,333	0	< 1	%

Edgar Filing: ALKERMES INC - Form SC 13G/A

All Officers & Directors as a Group (4 individuals) 27,101,333 0 62.14 %

Each principal shareholder has sole investment power and sole voting power over the shares.

Applicable percentage ownership is based on 1,264,373,754 shares of common stock issued and outstanding as of December 20, 2017. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that (1) are currently exercisable or exercisable within 60 days of September 30, 2017 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Includes 14,068,000 shares owned by the Djokovich Limited Partnership at December 20, (2) 2017. Mr. Djokovich shares voting and dispositive power with respect to these shares with Mrs. Djokovich.

The Series A Preferred Shares have the voting equivalent of not less than 60% of the issued and outstanding common stock (representing a super majority voting power) of the vote required to approve any action, in which the shareholders of the Company's common stock (3) may vote. As of December 20, 2017, Mr. Djokovich held 14,068,000 shares of the Company's common stock and 5,000 shares of the Company's Series A Preferred stock representing the combined voting equivalent of 749,005,896 shares of common stock or approximately 61.11% of the Company's voting stock.

24

Table of Contents

Item 13. Certain Relationships and Related Transactions, and Director Independence

No officer, director, or related person of the Company has or proposes to have any direct or indirect material interest in any asset proposed to be acquired by the Company through securities holdings, contracts, options or otherwise or any transaction in which the amount involved exceeds the lesser of \$120,000 or one percent of the Company's total assets at year end.

The Company has adopted a policy under which any consulting or finder's fee that may be paid to a third party for consulting services to assist management in evaluating a prospective business opportunity can be paid in stock, stock purchase options or in cash. Any such issuance of stock or stock purchase options would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether or in what amount such a stock issuance might be made.

The following directors are independent: Thomas Anderson, Oz Fundingsland, and. Dr. Michael Russak.

The following directors are not independent: Tom Djokovich.

Change of Control of the Company

On June 27, 2013, the Company amended its Articles of Incorporation for the creation of its Series A Preferred Stock designating 10,000 shares of its authorized Preferred Stock as Series A Preferred Stock. The Series A Preferred Shares have a par value of \$0.01 per share. The Series A Preferred Shares do not have a dividend rate and are not redeemable. In addition, the Series A Preferred Shares rank senior to the Company's common stock. The Series A Preferred Shares have voting rights equal to that of the common stockholders and may vote on any matter that common shareholders may vote. One or more shares of Series A Preferred Stock has the voting equivalent of not less than 60% of the issued and outstanding common stock (representing a super majority voting power) of the vote required to approve any action, in which the shareholders of the Company's common stock may vote. In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Holders of shares of Series A Preferred Stock shall be entitled to receive, immediately after any distributions to Senior Securities required by the Company's Certificate of Incorporation or any certificate of designation, and prior in preference to any distribution to Junior Securities but in parity with any distribution to Parity Securities, an amount per share equal to \$.01 per share. Holders of shares of Series A Preferred Stock shall not be entitled to any dividends, and the Company has no redemption rights for Series A Preferred Stock issued.

On June 27, 2013, the Board of Directors of the Company authorized the issuance of 5,000 shares of Series A Preferred Stock (the "Shares") to the Company's Chief Executive Officer and Director, Tom M. Djokovich. The Shares were issued in consideration for the contribution of services by Mr. Djokovich to the Company valued at fifty dollars, which the Board deemed full and fair consideration. As a result of such issuance, Mr. Djokovich has the ability to influence and determine stockholder votes.

Issuance of Convertible Promissory Notes

On October 1, 2013, the Company issued unsecured Convertible Promissory Notes (the "Promissory Notes") in the amount of \$12,000 each to Board members Tom Anderson, Dr. Michael Russak, and Oz Fundingsland (the "Holders") in exchange for their retention as directors during the fiscal year ending September 30, 2014. The Promissory Notes can be converted into shares of common stock by the Holder for \$0.0045 per share. The Promissory Notes mature on October 1, 2014, and bear zero (0%) percent interest during the first 12 months from the date of issuance. If the Promissory Note is not paid in full by the Company, or through conversion by the Holder, on or before the first anniversary, a one-time interest charge of 10% shall be applied to any remaining principal sum. So long as any shares issuable under a conversion are subject to transfer and sale restrictions imposed pursuant to SEC Rule 144 of the Rules promulgated under the Securities Act of 1933, the Company shall, upon written request by Holder, file Form S-8, if applicable, with the U.S. Securities and Exchange commission to register the issued shares. Dr. Russak and Mr. Fundingsland had converted their Note and received collectively 5,599,999 shares of common stock in the 2014 fiscal period. Mr. Anderson has not converted his Note as of the date of this report.

Item 14. Principal Accounting Fees and Services

2017

For the fiscal year ended September 30, 2017, Liggett & Webb P.A. billed \$37,700 in Audit Fees for the following professional services: review of the interim financial statements included in quarterly reports on Form 10-Q for the periods ended December 30, 2016, March 31, 2017, June 30, 2017 and for audit fees related to the Company's annual report on Form 10-K. No Audit-Related, Tax or other fees were billed by Haynie & Company in the fiscal year ended September 30, 2017.

2016

For the fiscal year ended September 30, 2016, Haynie & Company billed \$36,700 in Audit Fees for the following professional services: review of the interim financial statements included in quarterly reports on Form 10-Q for the periods ended December 30, 2015, March 31, 2016, June 30, 2016 and for audit fees related to the Company's annual report on Form 10-K. No Audit-Related, Tax or other fees were billed by HJ Associates & Consultants, LLP in the fiscal year ended September 30, 2016.

25

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibits:

Exhibit	Description
3.1	<u>Articles of Incorporation(1)</u>
3.2	<u>Bylaws(2)</u>
10.1	<u>XsunX Plan of Reorganization and Asset Purchase Agreement, dated September 23, 2003.(3)</u>
10.2	<u>2014 XSUNX, Inc. Stock Option and Award Plan, dated May 20, 2014.(4)</u>
10.3	<u>Amendment to Articles of Incorporation for the increase to authorized shares.(5)</u>
10.4	<u>Certificate of Designation for Preferred Shares.(6)</u>
10.5	<u>Form of Third Extension Agreement to 12% Note used in connection with the exchange and 18 month extension to a promissory note that had become due September 30, 2015. (7)</u>
10.6	<u>Form of Convertible 10% Promissory Note issued on November 20, 2014, used in connection with the sale of a convertible promissory note in an amount up to \$400,000. (8)</u>
10.7	<u>Form of Addendum extending the maturity date to April 13, 2018 for a Convertible 10% Promissory Note issued on November 20, 2014, used in connection with the sale of a convertible promissory note in an amount up to \$400,000. (9)</u>
10.8	<u>Form of Convertible Promissory Notes issued to four members of the Board of Directors dated October 1, 2013. (10)</u>
10.9	<u>Form of 10% Promissory Note issued on August 5, 2014, used in connection with establishing access to interim financing requirements for solar system installations. (11)</u>
10.10	<u>Form of Convertible 10% Promissory Note issued on May 12, 2017, used in connection with the sale of a convertible promissory note in an amount up to \$150,000. (12)</u>
31.1	<u>Sarbanes-Oxley Certification (13)</u>
32.1	<u>Sarbanes-Oxley Section 906 Certification (13)</u>
101.INS	XBRL Instance Document (13)
101.SCH	XBRL Taxonomy Extension Schema Document (13)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (13)
101.DEF	XBRL Taxonomy Extension Label Linkbase Document (13)
101.LAB	XBRL Taxonomy Extension Presentation Linkbase Document (13)
101.PRE	XBRL Taxonomy Extension Definition Linkbase Document (13)

(1) Incorporated by reference to Registration Statement Form 10SB12G #000-29621 dated February 18, 2000 and by reference to exhibits included with the Company's prior Report on Form 8-K/A filed with the Securities and Exchange Commission dated October 29, 2003.

(2) Incorporated by reference to Registration Statement Form 10SB12G #000-29621 filed with the Securities and Exchange Commission dated February 18, 2000.

(3) Incorporated by reference to exhibits included with the Company's Report on Form 8-K/A filed with the Securities and Exchange Commission dated October 29, 2003.

(4)

- Incorporated by reference to exhibits included with the Company's Report on Form 8-K filed with the Securities and Exchange Commission dated May 21, 2014.
- (5) Incorporated by reference to exhibits included with the Company's Report on Form 8-K filed with the Securities and Exchange Commission dated August 19, 2013.
 - (6) Incorporated by reference to exhibits included with the Company's Report on Form 8-K filed with the Securities and Exchange Commission dated July 2, 2013.
 - (7) Incorporated by reference to exhibits included with the Company's Report on Form 10-K filed with the Securities and Exchange Commission dated January 8, 2016.
 - (8) Incorporated by reference to exhibits included with the Company's Report on Form 8-K filed with the Securities and Exchange Commission dated November 26, 2014.
 - (9) Incorporated by reference to exhibits included with the Company's Report on Form 10-K filed with the Securities and Exchange Commission dated December 14, 2016.
 - (10) Incorporated by reference to exhibits included with the Company's Report on Form 8-K filed with the Securities and Exchange Commission dated November 12, 2013.
 - (11) Incorporated by reference to exhibits included with the Company's Report on Form 10-Q filed with the Securities and Exchange Commission dated August 18, 2014.
 - (12) Incorporated by reference to exhibits included with the Company's Report on Form 10-Q filed with the Securities and Exchange Commission dated May 15, 2017.
 - (13) Provided Herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 20, 2017 XSUNX, INC.

By: /s/ Tom Djokovich
Name: Tom Djokovich
Title: CEO and Principal
Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Tom Djokovich
Tom Djokovich, Chief Executive Officer,
Principal Executive Officer, Principal
Financial and Accounting Officer, and Director
December 20, 2017

/s/ Thomas Anderson
Thomas Anderson, Director
December 20, 2017

Oz Fundingsland, Director
December 20, 2017

/s/ Michael Russak
Michael Russak, Director
December 20, 2017

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
XsunX, Inc.
Alisa Viejo, CA

We have audited the accompanying balance sheet of XsunX, Inc. as of September 30, 2017, and the related statements of operations, stockholders' deficit, and cash flows for the year ended September 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XsunX, Inc. as of September 30, 2017, and the results of its operations and its cash flows in the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the Note 1 to the financial statements, the Company has a history of losses and has negative cash flows from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Liggett & Webb, P.A.

New York, NY
December 20, 2017

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of XsunX, Inc.

We have audited the accompanying balance sheet of XsunX, Inc. as of September 30, 2016, and the related statements of operations, stockholders' equity, and cash flows the year then ended. XsunX, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XsunX, Inc. as of September 30, 2016, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the Note 1 to the financial statements, the Company does not generate significant revenue and has negative cash flows from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Haynie & Company
Salt Lake City, UT
December 14, 2016

Table of Contents

XSUNX, INC.

Balance Sheets

	September 30, 2017	September 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$23,056	\$22,172
Accounts receivable	17,125	30,800
Cost in excess of billing	-	10,126
Prepaid expenses	6,967	2,266
Total Current Assets	47,148	65,364
PROPERTY & EQUIPMENT		
Office & miscellaneous equipment	29,842	29,842
Machinery & equipment	1,398	626
	31,240	30,468
Less accumulated depreciation	(30,094)	(29,930)
Net Property & Equipment	1,146	538
TOTAL ASSETS	\$48,294	\$65,902
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$83,870	\$46,515
Credit card payable	67,521	65,114
Accrued interest on notes payable	39,206	28,849
Billing in excess of cost	14,955	41,454
Derivative liability	625,645	430,532
Promissory note, related party	31,500	35,000
Convertible promissory note, related party	12,000	12,000
Convertible promissory notes, current portion net of debt discount of \$865 and \$11,148, respectively	92,168	131,886
Total Current Liabilities	966,865	791,350
LONG TERM LIABILITIES		
Convertible promissory notes, net of debt discount of \$147 and \$0, respectively	125,653	115,000
Total Long Term Liabilities	125,653	115,000
TOTAL LIABILITIES	1,092,518	906,350

SHAREHOLDERS' DEFICIT

Preferred stock 50,000,000 shares authorized, shares issued and outstanding designated as follows:

Preferred Stock Series A, \$0.01 par value, 10,000 authorized 5,000 and 5,000 shares issued and outstanding, respectively	50	50
Common stock, no par value; 2,000,000,000 authorized common shares 1,040,146,548 and 783,080,479 shares issued and outstanding, respectively	32,935,727	32,640,840
Additional paid in capital	5,335,398	5,335,398
Paid in capital, common stock options/warrants	3,811,700	3,811,700
Accumulated deficit	(43,127,099)	(42,628,436)
TOTAL SHAREHOLDERS' DEFICIT	(1,044,224)	(840,448)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$48,294	\$65,902

The accompanying notes are an integral part of these financial statements

F-3

Table of Contents

XSUNX, INC.
 Statements of Operations
 For the Years Ended September 30, 2017 and 2016

	Years Ended	
	September 30, 2017	September 30, 2016
SALES	\$1,172,972	\$750,556
COST OF GOODS SOLD	791,413	474,030
GROSS PROFIT	381,559	276,526
OPERATING EXPENSES		
Selling, general and administrative expenses	453,235	482,779
Depreciation and amortization expense	164	1,604
TOTAL OPERATING EXPENSES	453,399	484,383
LOSS FROM OPERATIONS BEFORE OTHER INCOME/(EXPENSES)	(71,840)	(207,857)
OTHER INCOME/(EXPENSES)		
Penalties	(200)	(222)
Gain on forgiveness of debt	-	16,604
Gain on sale of asset	-	12,249
(Loss) on settlement of debt	(194,653)	(166,965)
Gain (Loss) on conversion of debt and change in derivative liability	(193,966)	207,088
Interest expense	(38,004)	(103,763)
TOTAL OTHER INCOME/(EXPENSES)	(426,823)	(35,009)
LOSS BEFORE PROVISION FOR INCOME TAXES	(498,663)	(242,866)
Provision for income taxes	-	-
NET LOSS	\$(498,663)	\$(242,866)
BASIC AND DILUTED LOSS PER SHARE	\$(0.00)	\$(0.00)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC AND DILUTED	930,964,985	733,536,795

The accompanying notes are an integral part of these financial statements

F-4

Table of Contents

XSUNX, INC.

Statements of Shareholders' Deficit

For the Years Ended September 30, 2017 and 2016

	Preferred Stock Shares	Preferred Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stock Options/ Warrants Paid-in-Capital	Accumulated Deficit	Total
Balance at September 30, 2015	5,000	\$50	704,918,657	\$32,359,171	\$5,335,398	\$3,811,700	\$(42,385,570)	\$(10,605,192)
Common stock issued upon conversion of debt and accrued interest	-	-	78,161,822	281,669	-	-	-	281,951
Net loss for the year ended September 30, 2016	-	-	-	-	-	-	(242,866)	(242,866)
Balance at September 30, 2016	5,000	\$50	783,080,479	\$32,640,840	\$5,335,398	\$3,811,700	\$(42,628,436)	\$(10,806,148)
Common stock issued upon conversion of debt and accrued interest	-	-	257,066,069	294,887	-	-	-	295,184
Net Loss for the year ended September 30, 2017	-	-	-	-	-	-	(498,663)	(498,663)
Balance at September 30, 2017	5,000	\$50	1,040,146,548	\$32,935,727	\$5,335,398	\$3,811,700	\$(43,127,099)	\$(11,050,223)

The accompanying notes are an integral part of these financial statements

F-5

Table of Contents

XSUNX, INC.

Statements of Cash Flows

For the years ended September 30, 2017 and 2016

	Years Ended	
	September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(498,663)	\$(242,866)
Adjustment to reconcile net loss to net cash (used in) operating activities		
Depreciation & amortization	164	1,604
Gain on sale of asset	-	(12,249)
Gain on forgiveness of debt	-	(16,604)
Loss on settlement of debt	194,653	166,965
(Gain)/Loss on conversion of debt and change in derivative liability	193,966	(207,088)
Amortization of debt discount recorded as interest expense	11,283	68,852
(Increase) Decrease in Change in Assets:		
Contract receivables	13,675	(30,800)
Cost in excess of billing	10,126	(3,465)
Prepaid expenses	(4,701)	1,905
Increase (Decrease) in Change in Liabilities:		
Accounts payable	39,762	44,606
Accrued expenses	21,390	30,714
Billing in excess of cost	(26,499)	41,454
Deferred revenue	-	(15,000)
NET CASH USED IN OPERATING ACTIVITIES	(44,844)	(171,972)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed asset	(772)	(626)
Proceeds from sale of assets	-	16,000
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(772)	15,374
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible promissory notes	75,000	165,000
Payments on convertible promissory notes	(25,000)	(100,000)
Proceeds from related party promissory notes	-	35,000
Payments on related party promissory notes	(3,500)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	46,500	100,000
NET INCREASE/(DECREASE) IN CASH	884	(56,598)
CASH, BEGINNING OF YEAR	22,172	78,770

Edgar Filing: ALKERMES INC - Form SC 13G/A

CASH, END OF YEAR	\$23,056	\$22,172
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$18,638	\$410
Taxes paid	\$-	\$-
SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS		
Fair value of issuance of common stock upon conversion of debt and accrued interest	\$294,887	\$281,669
Debt discount on new issuances	\$1,147	\$15,417
Accrued interest capitalized into convertible notes	\$11,705	\$16,033

The accompanying notes are an integral part of these financial statements

F-6

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED
SEPTEMBER 30, 2017 AND 2016

1. ORGANIZATION AND LINE OF BUSINESS

Organization

XsunX, Inc. (“XsunX,” the “Company” or the “issuer”) is a Colorado corporation formerly known as Sun River Mining Inc. “Sun River”). The Company was originally incorporated in Colorado on February 25, 1997. Effective September 24, 2003, the Company completed a Plan of Reorganization and Asset Purchase Agreement (the “Plan”).

Line of Business

The Company’s focus is the sale, design, and installation of solar photovoltaic power generation (PV), energy storage in the form of managed battery systems, and energy use management technologies as a licensed contractor in California. We see these efforts as a significant business development opportunity as management has the skillset associated with construction management, we have extensive experience associated with solar PV technologies, the design requirements associated with the delivery of a solar power systems, and there is a market demand available for us to provide these services to.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company has a history of losses, and has negative cash flows from operations, which raise substantial doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. The Company has obtained funds from its shareholders since its inception through the year ended September 30, 2017. Management believes the existing shareholders and the prospective new investors will provide the additional cash needed to meet the Company’s obligations as they become due, and will allow the development of its business development efforts in the solar PV industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of XsunX, Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of property and equipment,

revenue recognition, the deferred tax valuation allowance, the fair value of stock options, and derivative liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash in banks and money markets with an original maturity of three months or less.

Property and Equipment

Property and equipment are stated at cost, and are depreciated using straight line over its estimated useful lives:

Leasehold improvements	Length of the lease
Computer software and equipment	3 Years
Furniture & fixtures	5 Years
Machinery & equipment	5 Years

The Company capitalizes property and equipment over \$500. Property and equipment under \$500 are expensed in the year purchased. The depreciation expense for the years ended September 30, 2017, and 2016, were \$164 and \$1,604, respectively.

F-7

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue and related costs on construction contracts are recognized using the “percentage of completion method” of accounting in accordance with ASC 605-35, Accounting for Performance of Construction-Type and Certain Production Type Contracts (“ASC 605-35”). Under this method, contract revenues and related expenses are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. Revenue is recognized based on the percentage of cost incurred. Costs include all direct materials, subcontractor costs, direct labor and those indirect costs related to contract performance, such as indirect labor, supplies, project planning and preparation, tools and repairs. All un-allocable indirect costs and corporate general and administrative costs are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss as it is determined.

Revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts for the revisions become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability, including those arising from contract penalty provisions, and final contract settlements, may result in revisions to costs and income, which are recognized in the period the revisions are determined.

The Asset, “Costs in excess of billing” represents revenues recognized in excess of amounts billed on contracts in progress. The Liability, “Billing in excess of costs”, represents billings in excess of revenues recognized on contracts in progress. At September 30, 2017, the cost in excess of billing was \$0, and the billing in excess of costs was \$14,955.

Contract Receivables

Contract receivables are recorded on contracts for amounts currently due based upon progress billings, as well as any retentions, which are collectible upon completion of the contracts. Accounts payable to material suppliers and subcontractors are recorded for amounts currently due based upon work completed or materials received, as are retention due subcontractors, which are payable upon completion of the contract. General and administrative expenses are charged to operations as incurred and are not allocated to contract costs.

Project Warranties

Customers in our target market of California who purchase solar energy systems are covered by a warranty of up to 10 years in duration for material defects and workmanship. In addition, we provide a pass-through of the major components such as module mounting, inverter and solar panel manufacturers’ warranties to our customers, which generally range from 10 to 25 years. The Company has a limited history of project installations and will access potential warranty costs, and other allowances, based on our experience in servicing warranty claims as they may arise in the future. During the years ended September 30, 2017 and 2016, the Company did not experience costs related to warranty claims.

Stock-Based Compensation

Share-based Payment applies to transactions in which an entity exchanges its equity instruments for goods or services and also applies to liabilities an entity may incur for goods or services that are to follow a fair value of those equity instruments. We are required to follow a fair value approach using an option-pricing model, such as the Black Scholes option valuation model, at the date of a stock option grant. The deferred compensation calculated under the fair value method would then be amortized over the respective vesting period of the stock option. This has not had a material impact on our results of operations.

Advertising

Advertising expenses are expensed as incurred. Total advertising expenses were \$26,412 and \$22,407 for the years ended September 30, 2017, and 2016, respectively.

F-8

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Net Income (Loss) per Share Calculations

Income (Loss) per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The shares for employee options, and convertible notes were not used in the calculation of the (Loss) per share as their effect would be antidilutive.

	For the years ended September 30,	
	2017	2016
(Loss) to common shareholders (Numerator)	\$(498,663)	\$(242,866)
Basic and diluted weighted average number of common shares outstanding (Denominator)	930,964,985	733,536,795

Fair Value of Financial Instruments

Fair Value of Financial Instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of September 30, 2017, the balances reported for cash, prepaid expenses, accounts payable, accrued expenses approximate the fair value because of their short maturities.

We adopted ASC Topic 820 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation

techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at September 30, 2017 and 2016:

	Total	(Level 1)	(Level 2)	(Level 3)
Liabilities				
Derivative Liability at fair value as of September 30, 2017	\$625,645	\$ -	\$ -	\$625,645
Derivative Liability at fair value as of September 30, 2016	\$430,532	\$ -	\$ -	\$430,532

F-9

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Balance as of September 30, 2015	\$622,201
Fair value of derivative liabilities issued	15,417
Net Gain on change in derivative liability and conversion of debt	(207,086)
Balance as of September 30, 2016	430,532
Fair value of derivative liabilities issued	1,147
Net Loss on change in derivative liability and conversion of debt	193,966
Ending balance as of September 30, 2017	\$625,645

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services. In addition, ASU 2014-09 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2017. The new revenue standard is principle based and interpretation of those principles may vary from company to company based on their unique circumstances. The Company is still in the process of evaluating the effect of the new standard on the Company's historical financial statements and disclosures. While the Company has not completed its evaluation, the Company is currently evaluating the impact of the adoption of ASU 2016-12 on the Company's financial statements.

In May 2016, FASB issued accounting standards update ASU-2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients. The amendments do not change the core revenue recognition principle in Topic 606. The amendments provide clarifying guidance in certain narrow areas and add some practical expedients. These amendments are effective at the same time Topic 606 is effective. Topic 606 is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (i.e., January 1, 2018, for a calendar year entity). The Company is currently evaluating the impact of the adoption of ASU 2016-12 on the Company's financial statements.

In August 2016, FASB issued accounting standards update ASU-2016-15, "Statement of Cash Flows" (Topic 230) – Classification of Certain Cash Receipts and Cash Payments", to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this ASU are effective for public and nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods with fiscal

years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of the adoption of ASU 2016-15 on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying condensed financial statements.

3. CAPITAL STOCK

At September 30, 2017, the Company's authorized stock consisted of 2,000,000,000 shares of common stock, with no par value. The Company is also authorized to issue 50,000,000 shares of preferred stock with a par value of \$0.01 per share of which 10,000 shares have been designated as Series A Preferred Stock. The rights, preferences and privileges of the holders of the preferred stock are determined by the Board of Directors prior to issuance of such shares.

Preferred Stock

As of September 30, 2017 and 2016, the Company had 5,000 shares of issued and outstanding Series A Preferred Stock issued to the Company's Chief Executive Officer and Director, Tom M. Djokovich. The shares were issued in consideration for the contribution of services by Mr. Djokovich to the Company valued at fifty dollars, which the Board deemed full and fair consideration. As a result of such issuance, Mr. Djokovich has the ability to influence and determine stockholder votes.

F-10

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

3. CAPITAL STOCK (Continued)

Common Stock

During the year ended September 30, 2017, the Company issued 257,066,069 shares of common stock upon conversion of principal in the amount of \$86,512, plus accrued interest of \$13,722, at prices ranging from \$0.00055 to \$0.0001 per share with an aggregate fair value loss on settlement of debt of \$194,653.

During the year ended September 30, 2016, the Company issued 78,161,822 shares of common stock upon conversion of principal in the amount of \$103,000, plus accrued interest of \$11,705 at prices ranging from \$0.00075 to \$0.00205 per share. Total fair value of the shares was \$281,669, which included a loss on conversion of debt of \$166,965.

4. STOCK OPTIONS

On May 20, 2014, the Company adopted the 2014 XSUNX, Inc. Stock Option and Award Plan (the “Plan”) to enable the Company to obtain and retain the services of the types of Employees, Consultants and Directors who will contribute to the Company’s long range success and to provide incentives which are linked directly to increases in share value which will inure to the benefit of all stockholders of the Company. The 2007 Stock Option Plan is superseded by the newly adopted 2014 XSUNX, Inc. Stock Option and Award Plan. Options granted under the Plan may be either Incentive Options or Nonqualified Options and shall be administered by the Company’s Board of Directors (“Board”). Each Option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective Option agreements may provide. Notwithstanding any other provision of the Plan or of any Option agreement, each Option shall expire on the date specified in the Option agreement.

A summary of the Company’s stock option activity and related information follows:

	9/30/2017	Weighted	9/30/2016	Weighted
	Number	average	Number	average
	of	exercise	of	exercise
	Options	price	Options	price
Outstanding, beginning of the period	1,500,000	\$ 0.045	4,500,000	\$ 0.024
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(1,500,000)	0.045	(3,000,000)	0.014
Outstanding, end of the period	-	\$ -	1,500,000	\$ 0.045
Exercisable at the end of the period	-	\$ -	1,500,000	\$ 0.045
Weighted average fair value of options granted during the period		\$ -		\$ -

We account for stock-based payment award forfeitures as they occur. The Company did not recognize stock-based compensation expense in the statement of operations during the years ended September 30, 2017 and 2016, respectively.

5. CONVERTIBLE PROMISSORY NOTES

As of September 30, 2017 and 2016, the outstanding convertible promissory notes are summarized as follows:

	9/30/2017	9/30/2016
Convertible Promissory Notes	\$218,833	\$258,034
Less debt discount	1,012	11,148
Convertible Promissory Notes, net of discount	217,821	246,886
Less current portion	92,168	131,886
Total long-term portion	\$125,653	\$115,000

F-11

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

5. CONVERTIBLE PROMISSORY NOTES (Continued)

Maturities of long-term debt for the next three years are as follows:

Year Ending	
September 30,	
2019	\$-
2020	10,653
2021	115,000
	\$ 125,653

At September 30, 2017, the \$218,833 in convertible promissory notes has a remaining debt discount of \$1,012, leaving a net balance of \$217,821.

On October 20, 2015, the Company entered into a third extension of a Note originally issued September 30, 2013. The extension terms included mandatory payments of \$10,000 per month beginning November 1, 2015 until the note in the amount of \$143,033 is paid in full. The Note bears interest at 12% annum, and a conversion price of 60% of the lowest volume weighted average price (“VWAP”) occurring during the twenty trading days preceding any conversion date by Holder. The balance of the provisions of the Note remained substantially the same. During the fiscal period ended September 30, 2017 the Company paid \$25,000 of the principal balance, leaving a remaining aggregate amount of \$30,354 dollars of principal and accrued interest. As of September 30, 2017, the Note had matured, and the Company and the Holder have entered into discussions for the repayment of the balance of the Note.

On November 20, 2014, the Company issued a 10% unsecured convertible promissory note (the “November Note”) for the principal sum of up to \$400,000 plus accrued interest on any advanced principal funds. The November Note matures eighteen months from each advance. The November Note may be converted by the lender into shares of common stock of the Company at the lesser of \$.0125 per share or (b) fifty percent (50%) of the three lowest trade prices following issuance of the November Note or (c) the lowest effective price per share granted to any person or entity. On November 20, 2014, the lender advanced \$50,000 to the Company under the November Note at inception. On various dates from February 18, 2015 through September 30, 2016, the lender advanced an additional \$350,000 under the November Note. During the year ended September 30, 2017, the Company issued 257,066,069 shares of common stock upon conversion of \$86,512 in principal, plus accrued interest of \$13,722, and a loss on settlement of \$194,653. As of September 30, 2017, there remains an aggregate outstanding principal balance of \$125,800. During the year ended September 30, 2017, the Company recognized debt amortization as interest expense in the amount of \$11,001.

On May 10, 2017, the Company issued a 10% unsecured convertible promissory note (the “May Note”) for the principal sum of up to \$150,000 plus accrued interest on any advanced principal funds. The Company received a tranche in the amount of \$25,000 upon execution of the May Note. On July 31 and September 18, 2017, the lender advanced additional tranches in the amount of \$50,000. The aggregate balance as of September 30, 2017 is \$75,000. The Lender may pay additional consideration at the Lenders discretion. The May Note matures twelve

months from each tranche. Within thirty (30) days prior to the maturity date, the Lender may extend the maturity date to sixty (60) months. The May Note may be converted by the lender into shares of common stock of the Company at the lesser of \$.01 per share or (b) fifty percent (50%) of the lowest trade price of common stock recorded on any trade day after the effective date, or (c) the lowest effective price per share granted to any person or entity. The Company recorded debt discount of \$1,147 related to the conversion feature of the May Note, along with derivative liability at inception. During the year ended September 30, 2017, the Company recognized debt amortization as interest expense in the amount of \$282.

Issuance of Convertible Promissory Notes for Services to Related Party

As of September 30, 2017, there remained an unsecured Convertible Promissory Note (the "Note") in the amount of \$12,000 to a Board member (the "Holder") in exchange for retention as a director during the fiscal year ending September 30, 2014. The Note can be converted into shares of common stock by the Holder for \$0.0045 per share. The Note matured on October 1, 2015, and bore a one-time interest charge of \$1,200 which was applied to the principal on October 1, 2014. So long as any shares issuable under a conversion are subject to transfer and sale restrictions imposed pursuant to SEC Rule 144 of the Rules promulgated under the Securities Act of 1933, the Company shall, upon written request by Holder, file Form S-8, if applicable, with the U.S. Securities and Exchange commission to register the issued.

F-12

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED
SEPTEMBER 30, 2017 AND 2016

5. CONVERTIBLE PROMISSORY NOTES (Continued)

For purpose of determining the fair market value of the derivative liability for the embedded conversion, the Company used Black Scholes option valuation model. The significant assumptions used in the Black Scholes valuation of the derivative are as follows:

Risk free interest rate	Between 0.51% and 2.03%
Stock volatility factor	Between 40.0% and 173.0%
Months to Maturity	1 - 5 years
Expected dividend yield	None

At September 30, 2017, the fair value of the derivative liability was \$625,645.

6. NOTE PAYABLE-RELATED PARTY

On August 5, 2014 the Company issued a 10% unsecured promissory note (the “Note”) to a related party in the aggregate principal amount of up to \$80,000, plus accrued interest on any advanced principal funds. The principal use of the proceeds from any advance under the Note are intended to assist in the purchase of materials, and services for the solar PV systems that we sell and install. Consideration advanced under the Note matures twenty-four (24) months from each advance. During the period the Company paid back \$3,500 of the Note. The balance as of September 30, 2017 was \$31,500, plus accrued interest of \$7,427.

7. INCOME TAXES

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013.

Included in the balance at September 30, 2017, are no tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company’s policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended September 30, 2017, the Company did not recognize interest and penalties.

8. DEFERRED TAX BENEFIT

At September 30, 2017, the Company had net operating loss carry-forwards of approximately \$21,407,000 that may be offset against future taxable income from the year 2017 through 2037. No tax benefit has been reported in the September 30, 2017 financial statements since

Edgar Filing: ALKERMES INC - Form SC 13G/A

the potential tax benefit is offset by a valuation allowance of the same amount.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rate of 40% to pretax income from continuing operations for the years ended September 30, 2017 and 2016 due to the following:

	9/30/2017	9/30/2016
Book Income	\$(199,460)	\$(97,200)
Nondeductible Other Expenses	169,200	16,900
Nondeductible Penalties	200	200
Depreciation	(160)	400
Related Party Accrual	(310)	(1,100)
Valuation Allowance	30,530	80,800
Income Tax Expense	\$-	\$-

F-13

Table of Contents

XSUNX, INC.

NOTES TO THE FINANCIAL STATEMENTS – AUDITED

SEPTEMBER 30, 2017 AND 2016

8. DEFERRED TAX BENEFIT (Continued)

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of September 30, 2017 and 2016:

	9/30/2017	9/30/2016
Deferred Tax Assets:		
NOL Carryforward	\$8,562,970	\$8,540,800
Capital loss Carry-forward	-	-
R&D Carryforward	46,150	46,150
Related Party Accruals	1,300	2,120
Depreciation	-	140
Deferred Tax Liabilities:		
Depreciation	(20)	-
Valuation Allowance	(8,610,400)	(8,589,210)
Net Deferred Tax Asset	\$-	\$-

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events as of the financial statement date according to the requirements of ASC TOPIC 855 and has the following subsequent events to report.

Between October 4, 2017 and December 18, 2017, the Company issued 224,227,206 shares of common stock upon conversion of principal in the amount of \$50,360, plus accrued interest of \$8,051.77 associated with the November 20, 2014 10% convertible Note. The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a) 2 of the Securities Act since, among other things, the transactions did not involve a public offering.

On November 3 and December 14, 2017, the Company received an additional tranche in the amount of \$25,000 and \$15,000 respectively on the May Note, for the purchase of the Company's common stock. The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a) 2 of the Securities Act since, among other things, the transactions did not involve a public offering.

